



ORDERED in the Southern District of Florida on May 07, 2009.

Robert A. Mark, Judge
United States Bankruptcy Court

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF FLORIDA
MIAMI DIVISION
www.flsb.uscourts.gov

In re:

TELEPLUS WORLD, CORP.,

Debtor.

Case No. 09-13799-BKC-RAM

Chapter 11

**SECOND INTERIM ORDER (I) AUTHORIZING USE OF CASH COLLATERAL
PURSUANT TO BANKRUPTCY CODE SECTION 363, (II) GRANTING ADEQUATE
PROTECTION, AND (III) SCHEDULING FURTHER HEARING**

This matter came before the Court on May 5, 2009 at 11:00 a.m. upon the Amended First Interim Order (I) Authorizing Use of Cash Collateral Pursuant to Bankruptcy Code 363, (II) Granting Adequate Protection, and (III) Scheduling Further Hearing (the “**First Interim Order**”) [C.P. 31] and the Debtor’s Emergency Motion for Entry of an Interim Order Authorizing Limited Use of Cash Collateral (the “**Motion**”) [C.P. 24].

THE COURT, BASED ON THE FIRST INTERIM ORDER, THE MOTION, THE RECORD OF THIS PROCEEDING HELD ON MAY 5, 2009, AND THE AGREEMENT OF THE RELEVANT PARTIES, FINDS AS FOLLOWS:

A. The Court has jurisdiction over this proceeding and the parties and property affected pursuant to 28 U.S.C. §§ 157 and 1334. This matter is a core proceeding pursuant to 28 U.S.C. § 157(b). Venue is proper in this District pursuant to 28 U.S.C. §§ 1408 and 1409. Consideration of this Motion is a core proceeding pursuant to 28 U.S.C. § 157(b). The statutory predicates for the relief requested are sections 105, 361, 362 and 363 of the Bankruptcy Code, Bankruptcy Rule 2002, 4001, and 9014, and Local Rules 9013-1(F) and (G).

B. On March 5, 2009 (the "**Petition Date**"), the Debtor filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code [C.P. 1].

C. Pursuant to sections 1107(a) and 1108 of the Bankruptcy Code, the Debtor continues to operate its business and manage its financial affairs as a debtor in possession.

D. The Debtor is a corporation, organized and existing under the laws of the state of Nevada and headquartered in Miami Lakes, Florida. The Debtor is a publicly traded holding company and owns 100% of the shares of Teleplus Connect Corp. (formerly Keda Consulting) ("**Connect**").

E. The terms on which the Debtor is authorized to use the Cash Collateral are fair and reasonable, reflect the Debtor's exercise of prudent business judgment, and are supported by reasonably equivalent value and fair consideration.

F. It is in the best interests of the Debtor, its creditors, and other parties in interest for the Debtor to use the Cash Collateral pursuant to the terms of this Interim Order because such action will enable the Debtor to operate its business in the ordinary course.

G. Pursuant to Bankruptcy Rule 4001(b)(1), the Notice of Hearing and the Motion were served by the Debtor through electronic mail, electronic notices generated by CM/ECF, facsimile, and/or overnight mail upon (a) the Office of the United States Trustee for this District;

(b) KEDA; (c) YA; (d) the Subsidiary Entities; (e) the Taxing Authorities; (f) the Securities and Exchange Commission, and (g) the list of twenty (20) largest unsecured creditors of the Debtor (collectively the “**Noticed Parties**”). The Motion was filed on April 6, 2009 and available for public inspection on and after that date. The Notice of Hearing and the Motion were served pursuant to applicable sections and rules and through the best available notice under the circumstances, no further notice of the interim relief sought in the Motion is required.

AS ALLEGED IN THE MOTION, THE DEBTOR ASSERTS THAT:

H. Connect owns 100% of the shares of Telizon, Inc., Avenue Reconnect Inc., 1523813 Ontario, Inc. (Freedom) and 1500536 Ontario, Inc. (One Bill). Connect and its subsidiaries are jointly referred to as the “**Subsidiary Entities**.” The Subsidiary Entities provide prepaid landline and long distance telephone service operations and is based in Ontario, Canada.

I. As of the Petition Date, the Debtor held approximately \$30,081.75 in cash in its operating account at Washington Mutual Bank. The Debtor also had approximately \$2,020.71 in an account at Citi Private Bank. Both of those accounts have been closed and the funds have been transferred to the DIP bank account pursuant to the United States Trustee’s Guidelines. As of the Petition Date, the Debtor held approximately \$32,102.46 (the “**Cash Collateral**”).

J. Each month, the Debtor is obligated to pay certain expenses necessary for its ongoing operation.

YA GLOBAL INVESTMENTS, L.P. (FORMERLY CORNELL CAPITAL PARTNERS LP AND MANAGED BY YORKVILLE ADVISORS LLC) (“YA”) AND THE DEBTOR HEREBY STIPULATE AGREE AND STIPULATE, FOR THE PURPOSES OF THIS INTERIM ORDER ONLY, AS FOLLOWS:

K. YA is a secured creditor claiming to have a security interest in, *inter alia*, the Cash Collateral.

L. Prior to the Petition Date, the Debtor issued several convertible debentures to YA as more fully set forth in the Motion (collectively, the “**YA Convertible Debentures**”). In order to secure the Debtor’s obligations under the YA Convertible Debentures and related transaction documents, the Debtor granted YA a security interest in and to the “**Pledged Property**”, including all equipment, inventory and accounts of the Debtor pursuant to an Amended and Restated Security Agreement dated December 2005 and its subsequent amendments. The Debtor made a representation and warranty in the 2005 Security Agreement that it was the legal and beneficial owner of the Pledged Property free and clear of all encumbrances, security interests, etc., **except** for the grant of a security interest in and to all undertakings, property and assets made by Connect in favor of the former shareholders of Connect (collectively referred to as “**KEDA**”) pursuant to a General Security Agreement dated May 11, 2005.

M. As of the Petition Date, the aggregate outstanding balance, including principal and interest owed to YA under the YA Convertible Debentures is approximately \$14,000,00.00.

N. For purposes of the Motion only, the Debtor does not object to the validity, priority, or extent of YA’s security interest in the Cash Collateral. However, the Debtor has not, subject to the time periods set forth herein, waived any of its claims against the Secured Creditor or otherwise waived any of its objections as to the validity, priority, or extent of YA’s security interest in general.

O. The Debtor attached with its Motion a budget setting forth the projected ordinary and necessary expenses of the Debtor for the period of time for which the use of the Cash Collateral is sought (the “**Budget**”).

P. YA has consented to the use of Cash Collateral on the terms expressly set forth in this Order.

The Court, having considered the Motion, the stipulations of the parties, the Limited Objection, the arguments of counsel, and otherwise duly advised in the premises herein, **ORDERS** and **ADJUDGES** as follows:

1. The Motion is **GRANTED**.
2. The Debtor is authorized to use the Cash Collateral during the month of May 2009 in accordance with the Budget attached to this Order (the “**Budget**”). The Debtor may not vary from the Budget by more than ten percent (10%) per line item per month; also, the aggregate variance per month may not exceed five percent (5%) of the cumulative budgeted amount for any particular month. (Any variances within the limits set forth herein shall be referred to as “**Allowed Variance**.”) Subject to the Allowed Variances, the expenditures authorized in the Budget shall be adhered to on a line item basis and on a monthly aggregate basis, provided that unused expenditures shall carry forward to successive monthly periods, on a line-item basis (the “**Carryovers**”). Cash Collateral shall not be used pay any expenditures in advance of the month in which such expense is scheduled to be paid in the Budget. The use of Cash Collateral relative to the “Management Fee” line item and the “Payroll” line item are hereby limited to 75% of the amounts listed on the Budget, which is attached hereto as Exhibit A. This limitation is without prejudice to any party seeking a further modification of either line item subject to this limitation.

3. Cash Collateral shall be used solely for the following purposes, subject to the Budget and, where applicable, to the Budget Variances, to fund, but only to the extent actually

incurred: (a) ordinary and necessary post-petition expenses, and, if any, (b) other costs and expenses of the administration of Chapter 11 Case.

4. Pursuant to 28 U.S.C. § 1930 and consistent with this District's Guidelines for Motions Seeking Authority to Use Cash Collateral, the payment for fees due to the clerk of court of the United States Trustee (as reflected on the Budget) is hereby expressly provided.

5. As adequate protection for any post-petition diminution in the value of YA's collateral and the imposition of the automatic stay, namely, the diminution caused by the Debtor's use of the Cash Collateral, the Debtor shall cause the Subsidiary Entities to up-stream to the Debtor, in arrears, an amount equal to the actual expenditures for the month of May on or before June 1, 2009. The cash will be up-streamed to the Debtor in accordance with the Debtor and the Subsidiary Entities normal pre-petition practices, provided, however, that in no circumstances shall such cash be distributed to the Debtor in payment or satisfaction of, or to be credited in reduction of, inter-company debt, liabilities, or other obligations owed by such Subsidiary Entities to the Debtor, or in any other manner that results in a diminution of YA's pre-petition collateral.

6. As additional adequate protection and solely to the extent of any actual diminution in the value YA's interest in any of its collateral, the YA is hereby granted replacement security interests and liens in all of the Debtor's post-petition assets (excluding avoidance recoveries and causes of action, if any, against YA or any affiliates of YA), including, without limitation, all inventory, accounts, accounts receivable, chattel paper, documents, instruments, general intangibles, deposits, cash, goods, furniture, fixtures, machinery, and equipment and all products and proceeds thereof and substitutions thereof (hereinafter, the "Post-Petition Collateral"), all with the same validity, extent, and priority as YA's pre-petition security

interests and liens. The lien and security interest granted herein shall be supplemental to the existing security interests and liens held by YA, and deemed valid and perfected notwithstanding the requirements of non-bankruptcy law with respect to perfection.

7. If and to the extent YA's collateral used by the Debtor, exceeds the value of the Post-Petition Collateral (the "**Post-Petition Shortfall**"), then the Lender shall have a claim under §503(b) of the Bankruptcy Code in the amount of the Post-Petition Shortfall which shall, pursuant to §507(b) of the Bankruptcy Code, have priority over all other claims entitled to priority under §507(a)(1), with the sole exception of up to \$10,000.00 in the aggregate of accrued and unpaid (a) professional fees and expenses of the Debtor's Court approved professionals remaining after application of any retainers held by such professionals which are allowed by the Court and (b) quarterly fees required to be paid pursuant to 28 U.S.C. Section 1930 (collectively, the "Carve Out"). The Carve-Out shall exclude any fees and expenses (A) incurred in connection with the assertion or joinder in any claim, counter claim, action, proceeding, application, motion, objection, defenses or other contested matter, the purpose of which is to seek any order, judgment, determination or similar relief invalidating, setting aside, avoiding, or subordinating, in whole or in part, (i) YA's claim, or (ii) YA's security interest and liens in its collateral, or (B) arising after the conversion of the Chapter 11 case to a case under chapter 7 of the Bankruptcy Code. Nothing contained in this Order shall be deemed a consent by YA to any charge, lien, assessment or claim against its collateral under Section 506(c) of the Bankruptcy Code or otherwise. YA reserves the right to object to any and all professional fees and expenses and nothing herein shall be construed to obligate YA, in any way, to pay any such professional fees and expenses or fees of the U.S. Trustee.

8. YA shall have the right (with reasonable prior notice and without unreasonable interference with the proper operation of the Debtor's business) to inspect its collateral as well as the Debtor's books and records during normal business hours.

9. Unless within thirty (30) days of the entry of this Order the Debtor files and objection or complaint setting forth any and all challenges by the Debtors (i) to the validity, sufficiency, priority, or amount of YA's claim; (ii) the perfection of YA's security interests and liens in its collateral; and (iii) any and all transfers received by YA pre-petition, including but not limited to, claims or challenges pursuant to §§506(c), 544, 547, 548, 549, 550, and 553 of the Bankruptcy Code, then all such objections, claims, and challenges by the Debtor shall be forever barred. Notwithstanding the foregoing, and provisions of this Paragraph, above, any subsequently appointed Creditors' Committee, or if no such Creditors' Committee is formed, any party in interest with requisite standing or a subsequently appointed Trustee, may file an objection challenging the amount, validity, priority, perfection, or extent of the YA's Claim and/or the security interests and liens securing the same. Any such objection or complaint (as is applicable) shall set forth the basis for the objection or complaint, and the reason why YA's claim should not be allowed in full. If no such objection or complaint (as is applicable) is filed: (a) by the Creditors' Committee on or before sixty (60) days after entry of the first order approving the retention of counsel to the Creditors' Committee, or if no such Committee is formed, then by a party in interest with requisite standing within sixty (60) days of the issuance date of a notice of non-appointment of a committee by the United States Trustee, or (c) by a Trustee on or before sixty (60) days after the appointment of a Trustee, any and all challenges by any party to YA's claim, YA's security interest or liens against its collateral or transfers received by YA including, but not limited to, those under §§ 506(c), 544, 547, 548, 549, 550 and 553 of

the Bankruptcy Code shall be forever barred. In the event the United States Trustee files a notice of non-appointment of a committee, the Debtor's counsel shall mail the notice, if any, of non-appointment of committee within three (3) business days to all creditors and parties in interest and file a certificate of service accordingly.

10. A hearing with respect to the entry of a subsequent Interim Order, or a final order as applicable, is scheduled for June 4, 2009, at 2:30 P.M., at the United States Bankruptcy Court, 51 S.W. First Avenue, Miami, Florida, in Courtroom 1406. This Interim Order shall be effective for 30 days from the date hereof.

11. This Interim Order shall continue in full force and effect for a term ending on the **earliest** occurrence of the following events ("the **Termination Events**"): (a) 30 days, subject to the entry of subsequent interim orders as provided in paragraph 10 of this Interim Order, (b) the breach by the Debtor of any of the terms, conditions, or covenants of this Order, including, without limitation, the Debtor's failure to cause the Subsidiary Entities to up-stream the funds as and when provided herein, (c) the Debtor's deviation from the Budget by more than the Allowed Variance on a monthly aggregate basis or on a line-item basis (d) the appointment of a trustee, or examiner with any powers of a trustee, for the Debtor-in-Possession, (e) the conversion of this proceeding from a Chapter 11 to a Chapter 7 proceeding, (f) any, stay, reversal, vacatur, rescission or other modification of the terms of this Order not consented to by YA, or (g) the allowance of a Motion for Relief from the Automatic Stay allowing a creditor of the Debtor to foreclose upon any material asset of the Debtor. Upon the occurrence of any of the Termination Events, the Debtor shall be prohibited from using any Cash Collateral absent written consent from YA or a court order.

12. This Court shall retain exclusive jurisdiction to hear and resolve any disputes and enter any orders required by the provisions of this Interim Order.

13. Service of a copy of this Interim Order shall be accomplished by the Debtor via regular first class U.S. Mail upon the Noticed Parties and such other parties as the Court may direct within three (3) days of the entry of this Interim Order, which shall be deemed good and sufficient service and notice hereof for all purposes.

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